

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00
NSC-05 EB-08 COM-02 FRB-03 FEA-01 DODE-00 /078 W
-----011032Z 130935 /10

R 010944Z APR 77
FM USMISSION NATO
TO SECSTATE WASHDC 2579

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 1871

E.O. 11652: GDS
TAGS: EGEN, XH, NATO
SUBJECT: ECONADS: REPORT ON RECENT SOV/EE ECONOMIC
TRENDS FOR NATO SUMMIT

REF: A) USNATO 1711 B) STATE 70509 C) ED/EC/77/22

1. AT MARCH 31 ECONADS MEETING ONLY UK HAD FULLY INSTRUCTED
COMMENTS (QUOTED PARA 3 BELOW) ON REF (C). PARA BY PARA
REVIEW RESULTED IN SOME IMPROVEMENT IN STYLE, BUT THE ONLY
CONCRETE CHANGES OF SIGNIFICANCE WERE NORWEGIAN REP'S
REQUEST TO INSERT "PARTICULARLY IN THE SHIPBUILDING AREA"
IN FOURTH SENTENCE, PARA 22, ON POLISH EXPORT LOSS, AND
PORTUGUESE REP'S DESIRE TO DELETE LAST SENTENCE OF PARA 24,
CONTRASTING SUCCESS OF POLISH AND HUNGARIAN PRICE INCREASES.
DUTCH ACCEPTED PRESENT TEXT.

2. CONCURRENTLY WITH MEETING, DIRECTORATE CIRCULATED
FOLLOWING CORRIGENDUM TO REF (C). BEGIN TEXT:
PAGE 2, PARAGRAPH 2, LINE 10
"...CONSTANTLY. THIS CALL ..." SHOULD READ "... CONSTANTLY.
AS A RESULT, THIS CALL ..."

PAGE 2, PARAGRAPH 3, LINE 3
"... THAT EXPLAINS THE MODEST TARGETS" SHOULD READ "...
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THAT EXPLAINS THE RELATIVELY MODEST GROWTH TARGETS..."

PAGE 3, PARAGRAPH 7, LINE 3
"...THE NEED TO FIX MORE PRAGMATIC GROWTH RATES ..."
SHOULD READ "...THE NEED TO FIX MORE REALISTIC GROWTH RATES..."

PAGE 3, PARAGRAPH 8
DELETE FIRST SENTENCE AND REPLACE BY: "IN THE USSR,
CONSTRAINTS ON CAPITAL INVESTMENTS, THE NEED TO LIMIT THE
TRADE DEFICIT WITH THE INDUSTRIALIZED WEST, AS WELL AS

BOTTLENECKS IN THE ECONOMY WILL PERSIST IN 1977 AND
MAY EVEN INTENSIFY."
END TEXT.

3. BEGIN TEXT OF SUGGESTED UK CORRECTIONS:
DEI COMMENTS ON NATO PAPER ED/EC/77/22 OF 15TH MARCH 1977

PAGE 3, PARA 6
5TH LINE. FOR "SOLVABILITY" READ "SOLVENCY". SUGGEST RE-WORDING
OF THIS SENTENCE AS FOLLOWS:-
"THIS SITUATION RAISES THE QUESTION OF THE SOLVENCY OF
CERTAIN EAST EUROPEAN COUNTRIES, EG. POLAND, AND MAY EXPLAIN
THE SUBSTANTIAL SOFT CURRENCY "AID PACKAGE" OFFERED TO THE
LATTER BY THE USSR, REPORTEDLY VALUED AT \$1.3 BILLION."

PAGE 4, PARA 10
COMECON COUNTRIES HAVE BEEN TRYING TO REDUCE HARD CURRENCY
TRADE DEFICITS (OR REDUCE THE GROWTH OF INDEBTEDNESS).

PAGE 7, TOP LINE
SUGGEST DELETE "THE". DELETE "TO FRUSTRATE" AND SUBSTITUTE
"HINDERED".

PAGE 9, PARA 25, LINE 3
AFTER "8.5PERCENT" INSERT "THE PLANNED GROWTH OF INVESTMENT
WAS UNDERFULFILLED BY A SUBSTANTIAL MARGIN (8.2PERCENT
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ACHIEVED COMPARED WITH 19.4PERCENT PLANNED). THEN START NEW
SENTENCE. "THE PLANNERS...."

PAGE 9, PARA 26, LAST LINE
THE FIGURE OF \$8 BILLION SEEMS TOO HIGH - OUR ESTIMATES
WOULD MAKE IT NEARER \$5-6 BILLION.

PAGE 10, PARA 27
WE ESTIMATE THE DEBT SERVICE RATION TO BE 35-40PERCENT,
USING THE DEFINITION OF THE RATIO OF REPAYMENTS TO HARD
CURRENCY EXPORT EARNINGS.

PAGE 10, PARA 30
AFTER "30 BILLION ROUBLES", IT SHOULD READ "OR ALMOST 1/7TH
OF TOTAL BUDGETARY INCOME."

PAGE 12, TOP LINE
AFTER "POPULATION" INSERT "BY 1980".

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NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00
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C O N F I D E N T I A L SECTION 2 OF 2 USNATO 1871

PAGE 13, PARA 40, LINE 9
THE TERM "PRODUCER SECTOR" RENDERS THIS STATEMENT INACCURATE.
IN 1975 (THE LAST YEAR FOR WHICH FIGURES ARE AVAILABLE)
86.4 PERCENT OF INVESTMENT WENT TO PRODUCTIVE SECTORS.
ALTHOUGH AN ACCURATE FIGURE CANNOT BE GIVEN PROBABLY ABOUT
30-35PERCENT OF INVESTMENT WAS ALLOCATED TO PROVIDING GOODS
AND SERVICES TO THE POPULATION INCLUDING: INDUSTRIAL CONSUMER
GOODS, AGRICULTURE (IE. THE PRODUCTION OF FOODSTUFFS),
TRANSPORT, DISTRIBUTION, HOUSING AND MUNICIPAL SERVICES,
HEALTH, EDUCATION AND CULTURE.
IT IS STILL TRUE THAT THE CONSUMER HAS A HARD TIME, BUT
NOT AS HARD AS THE FIGURES IN THE PAPER WOULD IMPLY.

PARA 40, LAST SENTENCE
THE LAST HALF OF THE LAST SENTENCE IS OBSCURE AND THE WHOLE
SENTENCE IS UNBALANCED. SUGGEST REWORDING AS FOLLOWS:-
"THE LONGER-TERM PROSPECTS FOR ECONOMIC GROWTH DURING THE
REST OF THE CURRENT PLAN MAY ALSO BE ADVERSELY AFFECTED.
IN ANY EVENT RESOURCES, ALREADY TIGHT, WILL BE FURTHER
STRAINED BY THE NEED TO MAKE GOOD THE LOSSES SUSTAINED BY
THE ECONOMY AS A RESULT OF THE EARTHQUAKE."
END TEXT.

4. DIRECTORATE WILL PREPARE REVISED TEXT SOON BASED ON
MARCH 31 DISCUSSION AND UK PROPOSALS HENCE EARLY RECEIPT
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OF US COMMENTS WOULD PERMIT THEIR INCLUSION. DEPENDING
ON EXTENT OF CHANGE, WE WILL EITHER CABLE OR DACOM
PERTINENT PORTIONS OF REVISED VERSION.

5. ACTION REQUESTED: US COMMENTS OR CONCURRENCE TO PRESENT
TEXT, AMENDED AS ABOVE. STRAUSZ-HUPE

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<< END OF DOCUMENT >>

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